Ripe for change

Why Dale Klein waited for the right market conditions before changing the strategy of Parallel Technologies

BY JOHN P. PALEN

They say the early bird catches the worm. In the case of innovation, sometimes the worm puts up a fight. Markets aren’t always ready for a new product or process just because it’s better. Entrepreneurs may spend millions on research and development, but they must also prepare for loyalty to inefficiency, a learning curve among decision-makers, and slow market adoption.

Dale Klein had a vision in 2005 to develop a company that unified technology infrastructures for both facilities management and information technology. He sold a systems software integration firm in 2004 and was in the market to acquire an IT managed services business. He purchased Parallel Technologies, a struggling cabling installer. The company had been around since 1983 and had a few data center customers for new construction and upgrades, but it needed a turnaround.

As the company’s new CEO, Klein had to assess the current talent and ended up reducing the workforce in order to hire talent beyond cabling installations and to be profitable. He had to improve the cash flow by cleaning up slow-to-pay customers and collecting long-outstanding receivables, some more than a year old. He also focused on building a sales team and internal processes and controls to help the business run more efficiently.

Still, for about three years the company continued to serve cabling customers, building revenues from $5 million to about $21 million. Then in 2008, construction took a dive with the recession and only bottom-dollar firms were winning the new projects. “We were priced for quality and expertise,” Klein says. “Our new projects dried up.”

The timing was finally right. Parallel Technologies shifted focus to infrastructure solutions and data center consulting. By improving cash flow and efficiencies while recruiting stronger IT engineering talent early on, Klein had the foundational people and processes in place to take new solutions to market. He made a conscious decision to halt bottom-line growth in the interests of shifting the business model to support his original vision.

BIZ BRIEFING

PARALLEL TECHNOLOGIES, INC.

Headquarters: Eden Prairie
Inception: 1983, purchased in 2005
Leadership: Dale Klein, CEO
Employees: 100
Revenue: $38 million (projected 2014)
Description: Designer and implementer of solutions to integrate and unify critical technology and facility infrastructure, helping clients obtain data in a timely way that impacts business results
Web: ptnet.com
Today, Parallel Technologies attributes 65 percent of its business to designing and building infrastructure solutions, such as data centers, and just 35 percent to field services and installation. The company is recognized as one of the fastest-growing private businesses in the Twin Cities. Klein is still waiting to unroll the rest of his vision, which is to help his clients use the data across the enterprise infrastructure they’ve collected to support more timely and smarter business decisions. The company’s new building is a physical tour of what customers can do with smart technologies and infrastructure.

“I grossly underestimated how long it would take to reach this stage, but we are now there,” he says.

The moral of this company success story is to have a vision, certainly, but make sure you’re prepared financially and strategically to ride out the lean times until the market catches up to your big ideas.

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**TIPS: TIMING INNOVATION TO MARKET DEMAND**

1. Identify unmet customer needs that you can deliver better than competitors.
2. Set your vision, prove the sales model, and hire the talent you’ll need to deliver it well.
3. Keep your bread-and-butter work as you transition to new products or services.
4. Bankroll your transition with good cash flow and efficient processes.
5. Retain customers by educating and upselling on your vision to match their goals.

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